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EXERCISES AND PROBLEMS

IN

ECONOMICS

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AND
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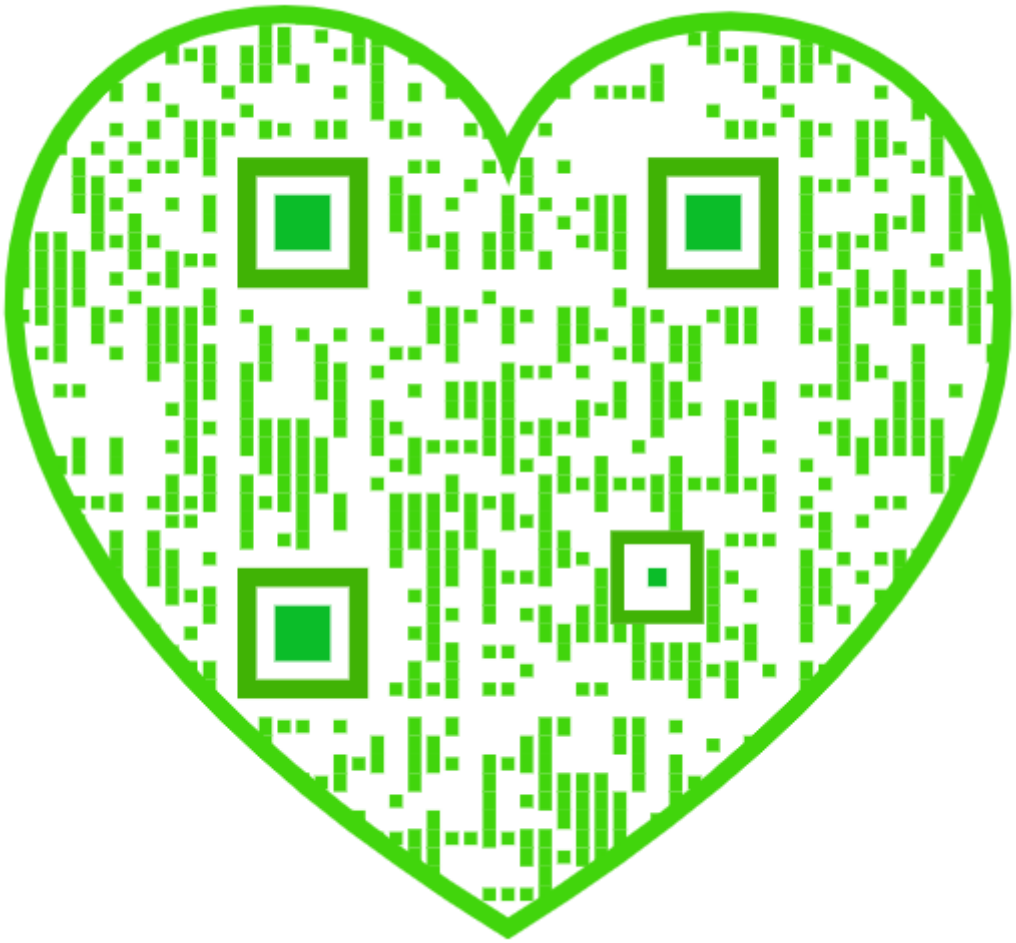
DEPARTMENT OF ECONOMICS
UNIVERSITY OF ILLINOIS

BENJ. H. SANBORN & CO.
CHICAGO NEW YORK BOSTON



EXERCISES AND PROBLEMS

IN

ECONOMICS

TO ACCOMPANY THOMPSON'S

ELEMENTARY ECONOMICS

PREPARED BY

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AND

M. H. HUNTER

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FOREWORD

A RECENT investigation of the teaching of elementary economics disclosed the significant fact that the core of instruction should be a textbook that lays special emphasis on the application of economic laws to the solution of social and business problems, supplemented by numerous *exercises and problems* so designed as to cause the student to think for himself independent of teacher and textbook. Such a textbook and such exercises and problems, if they are properly to meet the need, must abound in illustrative material adapted to the student's educational development; must stimulate his powers of observation; and must increase the consciousness of his own experiences.

These fundamental principles have guided the preparation of Thompson's *Elementary Economics,* from which the exercises and problems that follow are taken. For obvious reasons these exercises and problems are divided into three groups. Group A calls for some knowledge of textbook facts; group B requires investigation and observation on the part of the student; while group C demands simple, deductive reasoning. Consequently, each teacher can, with a minimum of trouble and time, choose the method or methods of approach which seem to be the most desirable in each class or with each individual pupil.

C. M. T.
M. H. H.

URBANA, ILLINOIS,
January, 1919.

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EXERCISES AND PROBLEMS

I. THE SOCIAL VIEWPOINT

A

1. Why should history be called a social science?
2. What is the essential difference between political science and law?
3. What is meant by the expression "legal ethics"?
4. Under which social science should a study of charity be made? Why?
5. What is the interest of the historian, the political scientist, the sociologist, and the economist in the following social subjects:

   a. Farm tenancy?
   b. Presidential elections?
   c. Corruption in city politics?
   d. Expansion of foreign commerce?
   e. The Great War?
   f. Railroad development?
   g. The post office?

6. What is meant by the expression "individual viewpoint"?
7. How can the expenditure of public money for river or harbor improvements be justified?
8. Why does society bear a portion of the expense of public education?
9. How does education increase industrial efficiency?
10. Can an individual be industrially efficient and at the same time be cultured? Explain.

11. Just how, if at all, does training for industrial efficiency lessen the desire and ability of an individual to be a good citizen?

12. Define "wealth."

13. Explain the effect of prices on wealth.

14. What is the difference between wealth and welfare?

15. Why, since nature is so bounteous in the tropics, are the people of Central America relatively poor?

16. Why are the people of the Arctic regions relatively poor?

B

1. Mention three or four public improvements in your community. What interest do they hold for you as a student of:

a. History?
b. Political science (civics)?
c. Sociology?
d. Economics?

2. Do students ever have individual viewpoints which society would not sanction, as to methods of:

a. Earning money?
b. Securing academic credit?
c. Spending leisure time?
d. Using school equipment?

3. Enumerate the motives that cause young people to attend high school or college.

a. Comment on these motives.
b. Are any of them selfish?
c. Are any of them entirely unselfish?
d. Would society wholly condemn any of them?

4. Air and sunlight are free goods. Name others.

5. May a free good ever become an economic good? Give examples.

6. Name five articles that are clearly wealth; and five that are not wealth. Which of the following are wealth:

a. Salt in the ocean?
b. Weeds?
c. English sparrow?
d. Submarine?
e. Rose bush?
f. Egyptian mummy?
g. State penitentiary?
h. Burglar's tools?
i. Mississippi River?
j. Climate?

C

1. What are the characteristics of a practical man? Explain your answer to each of the following:

a. Is the wealthiest man in your community practical?
b. Do you know of any practical man that is not wealthy?
c. Is the governor of your state a practical man?
d. Is Rockefeller practical?
e. Were Presidents Washington and Lincoln practical?

2. A public speaker recently declared that the typical American city would vote to have its alleys paved with sterling silver, provided the bill was paid out of the Federal treasury. Comment.

3. The opinion is generally held in the United States that society ought to provide free public education.

a. What does "free public education" mean?
b. Are free textbooks usually provided for high schools?
c. Who pays the expense of students in state normal schools and universities?
d. Why do state universities usually charge law and medical students a relatively high tuition?
e. Is free public education *free?*

4. If $1000 a year is a fair wage for a family in Florida, what would be a fair wage for an Iowa family that spends $100 a year for coal? an Eskimo family that spends $500 a year for whale oil to be used for heating purposes?

II. NATURE AND CONTENT OF ECONOMICS

A

1. Define the word "laboratory."
2. Describe briefly a laboratory experiment.
3. What did this experiment teach?
4. Why is the laboratory method called the inductive method?
5. What is the difference between the science and the art of physics? of botany?
6. State some laws that are never tendencies; some that may be tendencies; and some that are always tendencies.
   a. What is always the shortest distance between two points?
   b. How does pressure on a gas affect its volume?
   c. Do objects always move toward the center of the earth?
7. Why is consumption said to be fundamental?
8. What is the relation of consumption to production?
9. What is the difference between goods and utilities?
10. When does destruction create utilities? When does it not create utilities?
11. How does a locomotive engineer add utilities to a spool of thread?
12. What is the distinction between productive and unproductive labor?
13. How do modern methods of exchange differ from primitive methods?
14. State exactly the meaning of the term "distribution" as used in economics.
15. Explain the difference between the exchange and the distribution of goods.

B

1. Would you use inductive or deductive reasoning in working a problem in algebra? in building a gas engine? in starting a gas engine?

2. Cite other instances where you have used inductive reasoning; deductive reasoning.

3. Name five unproductive occupations.

   a. Why is each occupation unproductive?
   b. Were any of these occupations *ever* productive?
   c. Are any of them likely to *become* productive?

4. Why has money exchange very generally displaced barter exchange?

   a. Name any articles you have ever bartered.
   b. With what difficulties did you meet?
   c. How would money have obviated these difficulties?

5. Show how water may assume the various kinds of utilities.

6. Write three economic questions about a horse; three about a house; three about an automobile. Write about each of these three questions which are not economic.

7. Give examples of unproductive labor that is not criticized.

8. Mention some instances in which time, instead of destroying goods, increases their value.

C

1. Adam Smith held that labor to be productive must "realize itself" in some "particular subject or vendible commodity."

   a. How would Adam Smith have classified each of the following:

i. Domestic servant?
ii. Soldier?
iii. Policeman?
iv. Violinist?
v. Lawyer?
vi. Merchant?
vii. Opera singer?
viii. Public official?

b. How would you classify each of the above occupations? Why?

c. What changes, if any, have occurred since the time of Adam Smith regarding unproductive labor?

2. During the summer of 1918 a ruling of the War Department concerning the employment of men of draft age raised the question of productive and unproductive labor.

a. Is all labor productive? Explain.

b. Is all productive labor essential?

c. Are the following productive:

i. Farmers?
ii. Preachers?
iii. Teachers?
iv. Athletic directors?
v. Professional baseball players?

d. Which, if any, of the above perform essential labor? Why?

3. You sell a $30 suit to an old-clothes man for $5. Does this indicate that your wealth has been diminished? that the wealth of society has been diminished?

4. Distribution has long since become the most important notion in economic problems.

a. Who share in distribution?

b. Which group feels most strongly that its share is inadequate? Why?

c. What is the basis of this feeling?

III. NATURE OF CONSUMPTION

A

1. Name as many motives for economic activities as you can.
2. Do these motives cause the same activities in all localities? in all groups?
3. What is the distinction between necessities and luxuries?
4. Which of the following are luxuries? which necessities?

a. Bread.
b. Bicycle.
c. Watch.
d. Diamond ring.
e. Fountain pen.
f. Automobile.
g. Face powder.
h. Kodak.
i. Newspaper.
j. Magazine.

5. Just how is wealth power?
6. What is the difference between desire and demand?
7. Which is the more fundamental?
8. When is the demand for a good said to be elastic? inelastic?
9. Why does the price of potatoes usually fluctuate more widely than the price of pineapples?

B

1. What motives for economic activity are the most noticeable among your acquaintances?
2. Make a list of your wants arising from instinct; from habit; and from social standards.
3. Name any wants not included in the above list. Why do they arise?
4. Mention eight articles of your own consumption which you consider luxuries; eight which you consider necessities.

5. How do producers in your community seek to increase the desire for goods?

6. Examine store and shop windows and try to determine whether or not the effectiveness of their display could be increased.

7. Make a list of ten articles sold by your grocer; ten by your druggist; and ten by your hardware dealer. Arrange the articles in each list according to elasticity of demand.

8. Which of these articles, if any, have changed in elasticity during the past generation?

C

1. "The true welfare of society depends on all having the necessities of life before any has luxuries."

a. What is meant by "true" welfare?

b. Would an equal distribution of goods necessarily supply all with necessities?

c. After all have been supplied with necessities, which luxury should be produced first?

d. Does a demand for luxuries ever cause an increase in goods classed as necessities?

2. Explain the purpose of such advertising as, "Dollar and a half caps now ninety-eight cents"; "These gloves are worth two dollars, now a dollar and a quarter"; "Buy now, when this supply is gone no more can be obtained."

3. A stock raiser recently complained that the use of the automobile as a pleasure vehicle *tended* to lower the price of driving horses.

a. Are driving horses worth more or less now than they were ten years ago?

b. Account for other forces that may have affected the price of driving horses.

c. Would the above statement be necessarily untrue, if driving horses are worth more now than they were before pleasure cars came to be so widely used? Explain.

4. Suppose the supply of several goods be doubled, would the fall in price be the same for each? Explain.

5. "The demand for a given commodity may be elastic at one price level and inelastic at another." Illustrate and explain.

6. The claim is often made that the storage of eggs results in lower prices during the winter months than would otherwise be the case.

a. How are summer prices affected?

b. How is the average annual price affected?

IV. LAWS OF CONSUMPTION

A

1. What evidence is there that the sum total of human wants cannot be satisfied?

2. Why does a clothier often advertise without mentioning prices?

3. How does variety affect consumption?

4. Does the law of diminishing utility apply to the possession of money?

5. If the supply of goods be increased, how would the value of each unit be affected? the value of the total stock? Explain.

6. Why is money usually said to have a "reflected" marginal utility?

7. Explain the conditions under which a *large* consumers' surplus would exist; a *small* consumers' surplus.

8. Why is it more difficult to measure the consumers' surplus of water than of oranges?

B

1. Compare the window display of a ten-cent store with the window display of a dealer in ladies' ready-to-wear garments in the following respects:

a. Variety of goods displayed.
b. Price tags.
c. Attractiveness.
d. Effect on intensity of wants.

2. Name 25 nationally advertised goods. Why does a monopolist advertise his products?

3. Make a list of ten of your personal wants in the order of their intensity. Would this order be changed if each were multiplied by five?

4. Make a list of the articles you would buy if you had $100. How would this list be affected if, instead of $100, you had $200?

a. Would the number of items be increased?
b. Would the first list contain items not included in the second list?
c. Would the second list contain the same amount of any item or items included in the first list?
d. Is it likely that the second list will contain but one item?

5. Call to mind some recent purchases you have made. In which did each of the following have an influence:

a. Law of diminishing utility?
b. Law of marginal utility?
c. Consumers' surplus?

6. Estimate the amount of consumers' surplus in the purchase of a lead pencil, a pair of shoes, a dish of ice cream, a loaf of bread, a suit of clothing.

C

1. Many people condemn window displays and advertising as an economic waste. Discuss from the standpoint of:

a. Social progress.
b. Service to the consumer.
c. Good will in merchandising.

2. A prominent lawyer recently told the story of how his greatest, unattained ambition when a boy had been to own a shotgun. Now he has wealth enough to buy hundreds of such guns, but has not one.

a. Account for his change in desires.
b. Did he have a demand for a gun when he was a boy?
c. Has he *now* a demand for a gun?

3. "A clothier, when he goes into the market to buy goods, usually has some adequate notion of the marginal utilities *of his customers*."

a. Why do some clothiers handle only expensive clothing?
b. Why do others handle cheaper grades?
c. Why do some handle both expensive and cheap grades?

V. DEMAND, SUPPLY, AND PRICE

A

1. What is meant by the expression "supply and price"?
2. How is price affected by demand? by supply?

3. How does price affect demand? supply?
4. Why do sellers have minimum prices?
5. How does each determine his minimum price?
6. Why do buyers have maximum prices?
7. How does each determine his maximum price?
8. What are some of the different meanings of "market"?
9. Does the supply of a commodity include what is in the hands of the consumer?
10. Which buyers in a market cannot buy?
11. Which sellers cannot sell?
12. Why do many summer tourists like to go where no other tourists have gone?

B

1. Make a list of goods that advanced in price during the Great War and try to determine how these advances affected production.
2. Attach maximum prices to five articles you have recently purchased.
   a. Compare these prices with the prices you paid.
   b. Determine your approximate consumers' surplus on each purchase.
   c. Would a lower price have caused you to buy more of any article than you did buy?
   d. Did you feel the influence of other buyers?
3. Give examples from your own experience or observation of the four possible market conditions.
4. Mention the names of any articles you have seen sold at "cut prices." Discuss these sales under the following heads:
   a. Elasticity of demand.
   b. Competition among sellers.
   c. Competition among buyers.
   d. Seasonableness.

5. How has your refusal to buy any article which was on sale affected the market price of that article?

C

1. During the winter of 1918–19, the statement was often made that the high wages per ton paid to miners during the preceding summer had tended to decrease rather than to increase the production of coal.

a. Assuming this statement to be correct:
  i. Why were wages increased?
  ii. Why did not an increase in wages increase the coal output?
  iii. Can we conclude that wages vary inversely with output?

b. Assuming this statement to be incorrect:
  i. What caused it to be made?
  ii. Why did many people believe it to be true?
  iii. Why was it not refuted?

2. Analyze the medieval notion that in every exchange of goods one of the parties to the exchange lost exactly what the other party gained.

3. Explain how the market price of wheat would be determined under the following conditions:

Amount Offered	Price	Amount Demanded
10,000,000 bu.	$1.50	3,000,000 bu.
8,000,000 bu.	1.25	4,000,000 bu.
7,000,000 bu.	1.10	5,000,000 bu.
6,000,000 bu.	1.00	6,000,000 bu.
3,000,000 bu.	.80	8,000,000 bu.
1,000,000 bu.	.60	10,000,000 bu.

a. At what price will the greatest amount be bought and sold?

b. What effect will the market price have on consumption of wheat? on future production of wheat?

4. If competitive prices are determined by an equilibrium between demand and supply, how can a store maintain a "one-price system"?

5. "The price of pork has never gone as high as $2 a pound nor as low as ten cents a barrel."

a. Why are there *any* fluctuations in price?

b. Why are the prices higher now (1918) than ten years before?

c. Are there any conditions under which the price of pork might fluctuate as much as suggested by the above statement?

d. What classes of people would buy pork if it were $2 a pound? What would other classes do?

6. Suppose at potato-digging time a gardener finds that the market price of potatoes is but twenty cents a bushel.

a. What would be his attitude toward storing potatoes?

b. If he stored his potatoes would he be a seller in the market? Explain.

c. Suppose he had no facilities for storing:

i. Would he dig his potatoes? Why, or why not?

ii. Might he sell them undug? How?

d. What would be his attitude toward the next crop of potatoes?

e. Suppose he turns his attention to wheat-raising:

i. What would be the possible effect on the future price of potatoes?

ii. How might the price of wheat be affected?

VI. SOME PRACTICAL ASPECTS OF CONSUMPTION

A

1. What is the economic viewpoint of consumption?
2. How does this viewpoint differ from the ethical viewpoint?
3. How is consumption related to industrial efficiency?
4. Distinguish between unwise consumption and harmful consumption.
5. What are some of the motives that lead to unwise consumption? to harmful consumption?
6. Why does the saving problem become easy after the first step?
7. How does substitution encourage thrift?
8. Distinguish between the social and the individual viewpoint of waste.
9. What is the relation between plain living and high thinking?

B

1. Make a list of ten articles the consumption of which is harmful.

   a. Would each be harmful at all times?
   b. Would each be harmful to all persons at any time?
   c. Which, if any, become harmful only with excessive consumption?
   d. Would everybody agree with your list?

2. Mention ten instances of waste that have come under your observation.

   a. How many of the ten were conscious wastes? How many unconscious?
   b. How could these wastes have been avoided?

c. Were any of these wastes beneficial to *any* individual? Whom?

d. Were any of them beneficial to society? Explain.

3. Suppose you begin now to save ten dollars a month, investing it in building and loan stock at seven per cent.

a. In how many years would your stock be worth $1000?

b. How could you invest this amount to an advantage?

c. How many times could you repeat this operation before you are fifty years of age?

d. What would then be the total value of your investment?

e. Is this amount more or less than the total wealth of the average well-to-do individual at that age?

4. Make a list of food substitutions.

a. Why are these substitutions consumed?

b. Which are less palatable than the foods for which they are substituted?

c. Is there any popular prejudice against any of these substitutes?

d. How, if at all, is this prejudice being destroyed?

C

1. In discussions of the liquor business, what is the essential difference between temperance and prohibition? How could an individual support one without supporting the other? Which of the two is more intimately connected with government regulation? with moral education?

2. A few years ago a large manufacturing concern established its pay days on Wednesdays. Shortly afterward it changed back to Saturdays. Give reasons for the last change.

3. A farmer usually consumes much more food than a man living in the city. Does this mean that the farmer is over-

eating or that the city man is under-eating? How, then, shall we determine how much food is sufficient for any individual?

4. "Americans grumble at the high cost of living. If they would look about they would see that a much greater evil is the cost of *high* living."

a. Has there been an increase in the cost of living?
b. What is meant by the expression "cost of high living"?
c. Is there any relation between the two?

5. "Americans are notorious spendthrifts. European shopkeepers have three prices for their goods: one for their native customers in moderate circumstances; another for native millionaires; and the highest for American tourists."

a. Why is the typical American liberal with his money?
b. What is the general notion about one who spends his money with care?
c. Account for the prevalence of the tipping habit in this country.

VII. ORGANIZATION OF INDUSTRY

A

1. What was the essential difference between the English Industrial Revolution and the American Industrial Revolution?
2. What does an "industrial revolution" mean?
3. Is there likely to be another industrial revolution? Why, or why not?
4. Name three important changes in agriculture during the past half century.
5. How did the tariff act of 1816 differ from preceding tariff acts?

6. What is meant by the expression "domestic manufactures"? "factory system"?

7. What are the disadvantages of a partnership?

8. Why did the corporative form of business organization develop?

9. What are the chief merits of this form?

10. What is a "corporation charter"?

11. Where and how is it usually obtained?

12. Distinguish between stocks and bonds.

13. Why are most farms operated by single enterprisers?

B

1. Make lists of single enterprisers, partnerships, and corporations in your neighborhood.

   a. In which list are found the concerns that employ the largest capital?

   b. What kinds of business, in general, characterize each of these lists?

2. Get, if possible, a partnership agreement from some business man.

   a. How much money did each partner invest?

   b. What specific duties are required of each partner?

   c. How may the partnership be voluntarily dissolved?

3. Write up what you would consider a good partnership agreement for three men about to engage in the grocery business.

4. Examine a stock certificate, and notice the following facts

   a. Name of owner.

   b. Number of shares.

   c. Par value of each share.

   d. Common or preferred.

5. Study a stock report, to be found in any metropolitan newspaper.

a. Notice the wide variation in the prices of stocks.

b. Why do not bonds vary so widely?

c. Compare price of common stock and price of preferred stock of the same concern.

d. Which is subject to the wider fluctuations? Why?

C

1. Comment on the following statement: "The enactment of corporation laws by the various states is the most important step in the development of American manufactures made during the past century."

2. "A corporation is nothing more than a person without a soul."

a. Explain the general attitude of corporations toward society.

b. Why do many persons think it permissible to cheat a corporation?

c. Can a corporation die? Explain.

3. A corporation with a capital of $50,000, having outstanding four per cent bonds with a par value of $50,000, earns $5,000 annually.

a. How will these earnings be divided?

b. What will be the dividend rate:

i. If all the stock is common?

ii. If all the stock is preferred?

iii. If one half of the stock is 8 per cent preferred?

c. What would be a fair market price of stocks under each condition?

4. Suppose a corporation with a capital of $100,000, having outstanding five per cent bonds with a par value of $50,000,

should fail. How would settlement be made if the total assets sold for $45,000? for $55,000? for $75,000? for $100,000? Would the affairs of the concern have been settled differently if, instead of a corporation, it had been a partnership? How?

VIII. DIVISION OF LABOR AND LARGE SCALE PRODUCTION

A

1. Why is land the most fundamental factor of production?
2. Why is capital less fundamental than either land or labor?
3. Distinguish between capital and land; capital and consumers' goods.
4. Does capital yield a product apart from the employment of labor? Explain.
5. What are the advantages of division of labor?
6. Suggest ways of lessening the disadvantages arising from the division of labor.
7. What factors may limit the division of labor in any industry?
8. What is the relation between the corporative form of organization and division of labor?
9. Why is division of labor in agriculture not practiced to any great extent?
10. How does territorial division of labor increase the efficiency of production?
11. What is the present tendency in the United States as to territorial division of labor?
12. Point out the relation between division of labor and large scale production; between the corporative form of organization and large scale production.

13. Are there any advantages in large scale production in agriculture? Explain.

14. What are the limits to large scale production?

15. What are the present tendencies as to large scale production in manufactures?

B

1. Make a list of consumers' goods.
   a. Explain why each is a consumers' good.
   b. Can any of them be producers' goods?
   c. What is the essential difference between consumers' goods and producers' goods?

2. From your own experience or observation describe the division of labor carried on in some shop or factory.

3. Call to mind persons who produce *all* the goods they consume; who produce a *portion* of the goods they consume; who produce *none* of the goods they consume. Which is the largest group? Why?

4. Make a list of common schoolroom objects, such as desk, blackboard, book, crayon, ink, eraser, and note the importance of territorial division of labor.

5. Mention several industries in the same line.
   a. In which is division of labor best developed?
   b. Show how there is room for greater development.
   c. In which is division of labor least developed?
   d. Account for this lack of development.
   e. Which of the two has the greater capital?
   f. Which is the more enterprising?
   g. Suggest methods of improvement.

C

1. A well-known retail merchant once said that the cornerstone of any business success is *honesty*.

a. What did he mean by the expression "honesty"?

b. Is an employee thoroughly honest who:

i. Shirks his duties?

ii. Keeps one eye on the clock?

iii. Places his employer's interests second to his own?

c. What is your opinion of the axiom, "Honesty is the best policy"?

2. It is believed by many people that each section of the country would be greatly benefited by becoming self-sufficing.

a. If such were the case, would there be more or less goods produced?

b. How would such a condition affect wealth? welfare?

c. How do the railroads regard self-sufficiency?

3. Comment on the following statements:

a. "Division of labor is the unconscious coöperation of the members of society."

b. "Producers' goods ripen into consumers' goods."

c. "Large scale production in any industry is limited only by the amount of capital which that industry can control."

IX. LAND (NATURAL RESOURCES)

A

1. Define "land."

2. How does land differ from natural resources?

3. What are the chief factors in determining the productivity of farm land?

4. Does the improvement of rural roads increase the productivity of farm lands through which they extend? Discuss.

5. Why are some store sites more desirable than others?

6. Why is such a large portion of the United States unimproved?

7. Why do farmers resort to the rotation of crops?

8. Why are store buildings usually taller in cities than in towns or villages?

9. Is there any relation between the value of a residence site and the value of its improvement? Explain.

10. Why would it not be profitable for every farmer to own and operate a farm tractor?

11. How many clerks should a merchant employ?

12. How large should his stock of goods be?

13. Are there any limits to the size of the building he can profitably use? Explain.

14. What considerations might cause him to change sites? the size of his stock of goods? the number of employees?

B

1. Mention the most important natural resources in your community.

2. What efforts are being made in your community to conserve natural resources?

3. Locate on a map the more important regions devoted to the production of wheat, corn, cotton, tobacco, rice, sugar cane, coal, petroleum, and precious metals.

4. What kinds of crops are best fitted for *intensive* farming? for *extensive* farming? Give five examples of each, preferably from your own neighborhood.

5. Discuss the productiveness of various store "sites," and try to determine why differences exist.

6. Locate the point of diminishing returns under conditions assumed in the erection of an office building as follows:

Cost of site . .	$10,000	Total net annual rent	*Nothing*
Cost of first floor .	8,000	Total net annual rent	$1,400
Cost of second floor	5,000	Total net annual rent	1,900
Cost of third floor	4,000	Total net annual rent	2,350
Cost of fourth floor	4,000	Total net annual rent	2,700
Cost of roof . .	1,000	Total net annual rent	2,700

7. Draw a diagram illustrating the law of diminishing returns in some industry with which you are familiar.

C

1. American farmers are constantly being criticized because they do not produce as much per acre as English farmers.

   a. Is this criticism just?
   b. If so, why do not American farmers operate more intensively?
   c. Are there limits to intensive farming? Explain.

2. "The opening of the Erie Canal affected both intensive and extensive agriculture in the United States."

   a. How was the average size of farms affected?
   b. In what ways was the New England farmer affected?
   c. What was the effect on farming methods in Ohio?
   d. Did the kinds of crops grown undergo any changes? Explain.

3. A coal operator was requested by a government official during the summer of 1917 to state how much it cost to mine a ton of bituminous coal. His answer was: "Show me the mine." Why could he not answer more satisfactorily?

4. "Iowa and Central Illinois are the heart of the best corn-producing region in the world." Comment.

X. CAPITAL AS A FACTOR IN PRODUCTION

A

1. What was the origin of capital?
2. Name the three steps necessary to create capital.
3. Are any individuals or groups unable to take these steps? Explain.
4. Which is the more useful member of society, a miser or a spendthrift?
5. Why is capitalistic production said to be roundabout or indirect?
6. What are the advantages of indirect production over direct production?
7. How does the replacement fund give mobility to capital?
8. Explain how a carpenter's hammer replaces itself.
9. What has become of the large amount of capital formerly used in the buggy and carriage industry?
10. Is any capital completely fixed? Explain.
11. Where should the line be drawn between fixed and circulating capital? between free and specialized capital?
12. Why should specialized capital yield a larger income than free capital?
13. Just why is gold a highly specialized form of capital?
14. Name some forms of social wealth.

B

1. Call to mind persons in your community who contribute to the supply of capital.

   a. Are all of them relatively well-to-do?
   b. Which, if any, appear to sacrifice unduly in order to save?
   c. Which are *normally* thrifty?

d. Have any adopted definite plans for saving?

e. What advice has any of them to offer in the matter of saving?

2. Imagine, if you can, a general return to direct methods of production.

a. How would civilization be affected?

b. Would the volume of production be greater or smaller? Explain?

c. Would individuals and groups be more or less self-sufficing? Explain.

d. Would people have more or less leisure time? Why?

e. How would such a change affect public education?

f. Name some industries that would be likely to suffer the most.

3. Many tasks, such as digging ditches, cleaning streets, and carrying brick and mortar, are usually performed by direct methods.

a. Could capitalistic methods be employed? How?

b. Why are they not usually employed?

c. Under what conditions are they sometimes employed?

d. Does there appear to be any relation between capitalistic methods and the law of diminishing returns? Explain.

4. Classify the capital in some industry with which you are familiar into free, specialized, fixed, and circulating.

5. Suppose a certain individual invests $10,000 in a store site and building; also an equal amount in another site and building utilized by the state as an armory for a company of militia. Which should normally earn the larger return? Why?

6. Prepare a list of various forms of social capital. Show how each item in the list lessens the need for greater individual wealth.

C

1. "The corporative form of industry has been a big factor in the saving and investing of capital." Explain with some detail how this is true.

2. Socialists usually claim that labor is the source of all wealth.

   a. Can wealth be created without labor? How?
   b. Can capital create wealth without the assistance of labor? How?
   c. How would the destruction of all wealth affect the efficiency of labor?

3. "With the extension of capitalistic methods of production the proportion of fixed and specialized capital goods shows a tendency to increase."

   a. Is this statement true?
   b. Why is it true?
   c. Why, or why not, is this proportion likely to increase?
   d. Under what conditions might it decrease?

XI. COMPETITION *VERSUS* MONOPOLY

A

1. What is the difference between *laissez-faire* and mercantilism?
2. Why should the government desire to regulate industry?
3. Who was Adam Smith?
4. Why is he often referred to as the "father of economics"?
5. What is the relation between competition and industrial improvement?
6. What are some of the wastes of competition?

7. State the law of monopoly price.

8. Why is the monopolist primarily concerned with the largest *net* return?

9. What limitations are placed on monopoly price?

10. How does a monopoly come into existence?

11. Is monopoly synonymous with "big business"?

12. Which monopolist would have the most power in fixing price, and why?

a. The one dealing in necessities?

b. The one dealing in luxuries?

B

1. Notice carefully how several competing retailers in the same line carry on their businesses.

a. Which has the best site?

b. Which has the largest stock of goods?

c. Which has the most attractive window displays?

d. Which has the most efficient delivery system?

e. Which advertises the most extensively?

f. Why does not some one of them combine all these good points in his business?

g. What would be the result if he did so?

2. Observe the wastes of competition in retailing arising from duplicated efforts in the matter of delivery, advertising, rents, lighting, and heating.

a. Suggest ways to eliminate any of these wastes.

b. Would you suggest government regulation? Why, or why not?

c. What attempts are being made in your community to eliminate wastes of competition?

3. Do you know of any former competitive industry that is now monopolistic? If so, did the change affect prices? How?

4. Make a list of former monopolies which do not now exist.

   a. Did they become insolvent? If so, why?
   b. Did they change to competitive conditions? Why?

5. Suppose you were a watchcase manufacturer.

   a. At what point would you fix the price of your product?
   b. Would you manufacture different grades of watchcases? Why, or why not?
   c. How would you meet any competition that might arise?

6. Suppose you conducted a monopolistic business with a capital of $100,000. If your net income from the business was $75,000 a year, how could you make the return appear to be much less?

C

1. Discuss the common saying that "competition is the life of trade."

2. "The monopolist has it in his power to fix prices at whatever point it suits his fancy."

   a. May the monopolist ignore demand? Explain.
   b. Can the monopolist control demand? Explain.
   c. Are high prices always the most advantageous to the monopolist? Why, or why not?
   d. Does the elasticity of the monopolized good affect the monopoly price?
   e. Would a wheat monopolist and a diamond monopolist be governed by the same consideration?
   f. In what three ways is the monopolist restricted in his price-making?

3. Suppose a manufacturer of talking machines should absorb his competitors.

a. What would be the effect on production?

b. How would prices be affected?

c. Would new competitors be likely to arise? Why?

4. "A monopoly is often advantageous to consumers, for prices are less than they would be under competitive conditions." How can this be true?

5. The belief generally prevailed a few years ago that any manufacturing monopoly was sure to succeed.

a. Account for this belief.

b. Has experience justified this belief? Explain.

c. What factors were overlooked by those who held this belief?

d. How has the attitude of society toward monopolies changed?

XII. TRANSPORTATION

A

1. What is the character of the rivers that empty into the Atlantic?

2. Mention and locate the most important harbors along the Atlantic coast.

3. How do they compare with the Pacific harbors in number and size?

4. What was the importance of rivers in settling the West?

5. What effect did the success of the Erie Canal have on canal-building in the West?

6. When was the Baltimore and Ohio Railroad begun?

7. How did the Civil War affect railroad building?

8. Which Pacific railroad was first opened to traffic?

9. Why did the national government assist in the building of transcontinental railroads?

10. Why should our rivers be utilized to a better advantage?
11. What are the present tendencies in wagon-road building?
12. What is meant by the expression "joint costs"?
13. Mention the various kinds of railroad discriminations.
14. How can a railroad often charge less for a long haul than for a short haul?
15. Why are railroad rates higher on shipments east than on shipments west?
16. On what ground, if any, is it justifiable for railroads to charge what the traffic will bear?
17. What are "rebates"? "pools"?
18. How successful have the states been in regulating railroads?
19. When was the original Interstate Commerce Act passed?
20. What changes have been made in this act?
21. Is railroad capital fixed, circulating, specialized, or free?

B

1. A merchant of ladies' ready-to-wear garments decides to put in a stock of shoes.

   a. How will he determine his overhead expense in handling shoes?
   b. Can he afford to sell shoes cheaper than an exclusive shoe merchant? Why, or why not?
   c. Can he afford to sell shoes at a *loss?* Why?
   d. Can he make money by doing so? How?

2. Suppose you invest $2000 in railroad stock. If the Interstate Commerce Commission reduces rates so that the value of your stock falls to $1500, have you a just complaint? Explain with some detail.

3. Make a list of the public service corporations in your community.

a. Which have corporative forms of organization?
b. Which are monopolies?
c. Which have their rates for service fixed by law?
d. Which, if any, do not earn fair dividends?

4. What transportation systems have been beneficial to your community? What has been the special benefit? Make as long a list as you can of the ways by which you have seen goods transported.

5. Illustrate, from your own experience or observation, the effect of the following on railroad building:

a. Rivers.
b. Mountains.
c. Seaports.
d. Raw materials.
e. Climatic conditions.

C

1. "Many of the routes of our most important wagon roads were marked out long before Europeans came to our shores."

a. What factors determined the location of paths made by wild animals?
b. Why would the Indians naturally frequent these paths?
c. What roads did the earliest settlers use?
d. Why should they widen and improve the paths?

2. A political speaker once declared that railroad rates should be the same for all commodities. If the many rates now in effect were displaced by one flat rate:

a. How would prices be affected?
b. Make a list of goods which might not be shipped.
c. How would railroad rates be affected?

d. What would be the effect on railroads in different sections of the country?

e. How would railroad extension be affected?

3. "Improved means of transportation have tended not only to equalize conditions of living in different parts of the world, but also to better the living conditions of the lower classes." Do you agree? Why, or why not?

4. The Interstate Commerce Commission was authorized a few years ago by Congress to undertake a valuation of the railroads of the country.

a. Why was this authorization made?

b. What different kinds of valuation was it possible to make?

c. Which kind would the railroads themselves prefer?

d. What were some of the difficulties encountered by the Commission?

XIII. MARKETING THE PRODUCTS OF INDUSTRY

A

1. What is the significance of producing for the market?
2. When is a product finished?
3. How did markets arise?
4. What determined their location?
5. What kinds of goods were first produced for the market?
6. Just how important is the place of the retailer in marketing?
7. What did the Great War teach about marketing?
8. What is the difference between a retailer and a middleman?
9. Why are there so many different kinds of middlemen in marketing?

10. Of what value is the wholesaler or commission merchant?
11. What are some of the wastes in indirect marketing?
12. How far would direct marketing eliminate these wastes?
13. Why do department stores maintain free rest-rooms?
14. Who pays the expense of maintaining them?
15. How does credit lead to waste, particularly in retailing?
16. What groups of individuals might object to more direct methods of marketing?
17. How valid are the claims of department stores that they sell goods cheaper than their competitors in special lines?
18. What effect has variety of stock on volume of trade?
19. What is the chief objection urged against the mail-order house?
20. How valid is this objection?
21. What is a "chain store"?
22. Why can a variety store usually offer goods at excessively low prices?
23. What lines of goods are best adapted to sell directly to consumers?

B

1. Trace a quantity of iron ore through its different processes of production, pointing out the different markets in which it is offered for sale. Do the same with corn, wheat, and cotton.
2. Mention any articles of your own production which you have consumed.
3. Imagine yourself in an early English market place.
   a. Where was it located?
   b. What kind of goods were offered for exchange?
   c. What difficulties were encountered in making exchanges?
   d. Was bargaining characterized by "higgling"? Explain.
   e. How important was the part played by money?

4. Suppose you decide to follow the " cash and carry " plan of buying groceries and meats.

a. How much time would you consume each day in going to the markets?

b. Would these trips involve wear and tear on shoes and clothing?

c. Can goods be carried more cheaply than they can be hauled?

d. Is your time worth more or less than that of a delivery boy?

e. Would you be more likely to buy with greater care than if you telephoned your orders?

f. Weigh the advantages and disadvantages of marketing in person.

i. Which has the greater weight?

ii. Is the weight as great as is sometimes thought?

5. Give some instances from your own experience or observation of attempts to bring producers and consumers closer together.

a. How well did these attempts succeed?

b. Did any one oppose them? Who? Why?

6. A merchant requests you to draw up plans for the establishment of a chain of stores.

a. What kind of business would you suggest? Why?

b. In what cities would you establish stores?

c. What sort of sites would you desire to utilize?

d. How would the choice of cities and sites be influenced by the character of the business?

C

1. " The greatest need in the modern industrial world is to bring the producer and the consumer together."

a. Is this a universal opinion? Why, or why not?
b. Who would be likely to hold an opposite opinion?
c. What steps would be necessary in making such a change?
d. Who would profit most?
e. Who would suffer?

2. During the past decade two or three men have made millions of dollars in operating chains of restaurants.

a. What particular advantage has the chain store in the restaurant business?
b. Which types of restaurant still predominate in the cities?
c. What is the present tendency?
d. How does a rise in the prices of foodstuffs affect the different types of restaurants?

3. The chief argument advanced by retailers against mail-order houses is that the people would profit by spending their money at home.

a. Do mail-order houses undersell local merchants? Discuss.
b. Just how far is this argument valid?
c. To what extent is advertising a factor in the success of the mail-order house?
d. Can local merchants use to advantage the methods employed by mail-order houses? How?
e. How may local newspapers be used to advantage by local merchants in their competition with mail-order houses?

4. Discuss with a live local merchant the economies claimed by mail-order houses. Ask him to compare prices and quality. Which offers the best value?

XIV. GOVERNMENT AND PRODUCTION

A

1. What are the chief features of the United States patent laws?
2. Point out the good and the bad phases of the patent system.
3. What is the value of a trade mark to the producer? to the consumer?
4. How does a copyright differ from a patent?
5. What is a trust?
6. Are all trusts monopolies?
7. Are all monopolies trusts?
8. Why did the trust movement develop so rapidly about 1900?
9. What caused popular opinion to be aroused against the trusts?
10. What were some of the objectionable practices of the trusts?
11. What was the Sherman Anti-Trust Act?
12. How did this law affect the trusts?
13. How has this law been strengthened?
14. What is the difference between *reasonable* restraint of trade and *unreasonable* restraint of trade?
15. Why were early public utility corporations given so many privileges?
16. Just how at the present time are these corporations usually regulated?
17. What experience has this country had in price-fixing?
18. Why is price-fixing likely at all times to be unsatisfactory?

B

1. What steps would you take in securing a patent?

2. Make a short list of important inventions that have revolutionized American life and industry. Were these inventions patented? Which of the patentees has been rewarded adequately for the labor and skill employed in perfecting his invention?

3. Mention twenty trade marks with which you are familiar.
   a. Would you consider them as assets of the concerns which own them? Why?
   b. What similarities have you noticed in the trade marks carried by the same kinds of goods?
   c. Why do business firms often retain the names of members who have died or withdrawn?

4. Just how widespread is the practice of securing copyrights?
   a. How can you determine whether or not a publication is copyrighted?
   b. Is this book copyrighted? What is the evidence?
   c. Make a list of ten books or other publications not copyrighted.
   d. Are copyrights owned by publishers or authors?

5. Name ten concerns which you would class as trusts.
   a. How many of the ten are manufactures?
   b. Which of these appear to be monopolies?
   c. Which, if any, have resorted to unfair competition? Explain.
   d. What is the general attitude of the people toward them?

6. Make a list of the public utility enterprises in your community.

a. Which of these are publicly owned?
b. Which are monopolies?
c. Why does society permit monopolies in these enterprises?
d. To what extent are these enterprises regulated by law?
e. Is this regulation as effective as the regulation that would arise from competition? Explain.

C

1. "Some people deny that men who have a genius for invention and discovery require any special inducement to follow their natural bent."

a. Just how does a genius differ from other persons?
b. Do all inventors have a genius for invention?
c. Might genius be stimulated by a hope of reward?

2. Why are goods sometimes advertised, "Not made by a trust"?

3. During the early years of the trust movement the argument was frequently heard that the trust excelled all other forms of business organization in efficiency and economy.

a. What is the basis of that argument?
b. In what respects are trusts more efficient:
  i. In organization?
  ii. In buying? in selling?
  iii. In transportation?
c. What is the relation between this increased efficiency and prices?

4. Because of increased costs of labor and material a street-railway president finds that a five-cent rate does not bring a fair return. How would he proceed to secure a six-cent rate?

XV. USE OF MONEY IN MAKING EXCHANGES

A

1. Name various commodities that have served as money.
2. What must be the chief characteristics of a good money? Why?
3. What is meant by the expression, "large value in small bulk"?
4. Would diamonds serve well as a medium of exchange? Why, or why not?
5. Name and explain the *physical* characteristics of a good money.
6. Discuss the characteristics of a good money as applied to gold.
7. Why is gold the most generally accepted of all money?
8. What are the uses of money?
9. What are the advantages of money exchange over barter exchange?
10. What is the standard coin of the United States?
11. Is the ten-dollar gold piece a standard coin? Explain.
12. Does the *value* of gold fluctuate? Explain.
13. Does the *price* of gold fluctuate? Explain.
14. Why is it not unlawful to melt gold coins?
15. Name the different silver coins in circulation.
16. Are any of these coins standard money? Explain.
17. Why is alloy used in the coinage of gold and silver?
18. Why are gold and silver certificates called "representative" money?
19. Why are these certificates used in the place of coins?
20. What are "United States notes"?
21. Why are these notes usually referred to as "greenbacks"?

22. Why did the value of greenbacks fluctuate during the Civil War?

23. Why has it not fluctuated since 1879?

24. Is the government prepared to redeem all greenbacks on demand? Why, or why not?

25. Why are relatively few greenbacks presented for redemption?

B

1. Give instances of where you have used money as a medium of exchange; as a measure of value; as a basis of credit.

2. Make a collection of silver coins both new and worn.

   a. Weigh each of the dollars.
      i. What does the new dollar weigh?
      ii. Compare it with the weight of the worn dollar.
   b. Weigh each of the other coins.
      i. How does the weight of the new half dollar compare with the weight of the new dollar? the new quarter? the new dime?
      ii. Compare weights of new and worn fractional coins.
   c. Which coins show the greatest proportionate wear?

3. Get permission of some banker to examine gold coins, gold certificates, silver certificates, and greenbacks.

   a. Note various denominations of each.
   b. Are there denominations higher or lower than the ones examined?
   c. What are the legal tender qualities of each?

C

1. Suppose the Federal government should decide to make a bushel (56 pounds) of shelled corn the standard money unit:

a. Would gold be robbed of its value? Why, or why not?

b. What difficulties would be encountered:

i. In preventing wide fluctuations in value?

ii. In standardizing the new money unit?

iii. In transporting money?

iv. In storing money?

c. How would the demand for representative money be affected?

d. How would the production of corn be affected?

e. Would an Iowa corn farmer be richer or poorer as a result of the change? Why?

2. Suppose the federal government should decide to change the money standard, displacing the gold dollar of 25.8 grains (nine-tenths fine) by a gold "diller," of equal fineness, weighing 40 grains.

a. How would the *amount* of gold money in circulation be affected?

b. How would the value of gold be affected?

c. Would the price of gold be changed? How?

d. What would be the effect on the prices of commodities?

e. How would gold mining be affected?

3. A well-known public man asserted a few years ago that anything would serve acceptably as a money if it bore the government *fiat*.

a. Have governments been successful in creating an artificial currency?

i. What was "Continental paper money"?

ii. Sketch briefly the history of the greenbacks.

iii. What served as money in the Southern Confederacy?

b. How much value does the government stamp add to gold coins?

c. What causes gold coins to circulate?

d. What causes greenbacks to circulate?

4. "Representative paper money is not money at all; it merely represents money held by the government."

a. Define "money."

b. Does an exchange of a ten-dollar gold certificate for a ten-dollar gold coin change the amount of money in circulation? in the treasury?

c. Suppose the government should spend the gold held to redeem gold certificates:

i. Would they still be "gold certificates"? Explain.

ii. Would they be money? Why, or why not?

iii. How would their value be affected?

d. Suppose the government should declare gold certificates to be redeemable like greenbacks:

i. Would they still be "gold certificates"? Explain.

ii. How would their value be affected?

iii. How would the value of greenbacks be affected?

iv. What would be the effect on government credit?

XVI. MONETARY LAWS ILLUSTRATED FROM THE HISTORY OF THE UNITED STATES

A

1. Distinguish between the mint ratio and the market ratio.
2. Under what circumstances is gold undervalued?
3. Why is a system of bimetallism difficult to maintain?
4. What is meant by the expression "elasticity of the currency"?
5. Why was the mint ratio changed in 1834?

6. Which metal circulated between 1792 and 1834? after 1834?

7. What was the "crime of '73"? Who called it a "crime"? Why?

8. Why were silver dollars not being coined in 1872?

9. Who began the agitation to remonetize silver? Why?

10. Point out the essential differences between the Bland-Allison Act and the Sherman Silver Purchase Act.

11. Just how does the Federal Reserve Bank Law give elasticity to the currency?

12. Name the various kinds of money in circulation in the United States.

13. Why do all of them pass at their face value?

B

1. Enumerate the various kinds of metals used in making United States coins.

   a. Why are different metals used?
   b. Which of these metals does the government coin freely?
   c. How does it get the other metals for coinage?
   d. Just exactly what does the expression "monometallism" mean?

2. What procedure is necessary to exchange each of the various kinds of money for gold?

3. Learn from some banker or newspaper the *present* market ratio of silver to gold.

   a. What changes have occurred in this ratio during the past few years?
   b. How did these changes affect the profits of the government in supplying fractional coins?
   c. What would be the effect if the government should now return to bimetallism with a ratio of 16 to 1?

C

1. During the free silver campaign of 1896 many believed that a change of the mint ratio to equal the market ratio, which was then about 32 to 1, would be desirable.

a. What was the basis of this belief?

b. Would the adoption of the proposed change have solved the problems arising from bimetallism? Explain.

2. The story is told of a congressman, who, when he heard a colleague state that the flow of gold from the United States was due to the action of Gresham's law, suggested that the law be repealed. Comment.

3. The operation of Gresham's law is closely associated with everyday business affairs.

a. Of two dimes which is usually spent first, Canadian or United States?

b. Of two five-dollar gold pieces, one new and the other worn, which would be melted down for the purpose of making a ring?

c. Would new or worn gold coins be shipped to England in payment for goods?

d. Give definite reasons for each of the three answers.

4. How, if at all, would the value of money *tend* to be affected by:

a. The opening of new gold mines?

b. An increase in the production of goods?

c. An increase in population?

d. An increase in the rapidity of the circulation of money?

e. A greater practice of thrift?

f. An increase in the volume of banking business?

g. A change in the weight of the gold dollar?

h. Increased efficiency in manufacturing?

XVII. BANKING AND ITS HISTORY

A

1. Who were the Lombards?
2. Why did not the Christians ordinarily loan money?
3. Why may a banker expect to have a balance in his hands?
4. What is the difference between bank deposits and bank notes?
5. What are the essential differences between a commercial bank and a savings bank?
6. Why does a bank desire to loan its money?
7. What is the difference between a commercial bank and a trust company?
8. What are the functions of an investment bank?
9. What is a "bank statement"?
10. What is the difference between a loan and a discount?
11. Why is a bank's capital a liability?
12. Would the banker consider his investment a liability? Explain.
13. Define "bank deposit."
14. How does deposit currency differ from other kinds of currency?
15. How did the two United States banks differ from state banks?
16. Describe state banking between 1832 and 1863.
17. How did the National Bank Act affect banking in the United States?
18. In what respects did the Federal Reserve Banking Law improve banking?
19. Just how, if at all, was this system instrumental in selling Liberty Loan bonds?
20. Locate the Regional Banks.

B

1. Make a list of the banks in your community.
   a. Which of these are:
      i. Commercial banks?
      ii. Savings banks?
      iii. National banks?
      iv. State banks?
      v. Private banks?
   b. Which has the largest capital? the smallest capital?
   c. Which are members of the Federal Reserve Regional Bank?
   d. Which own bank buildings? which rent?

2. Get a bank statement from some banker or from a newspaper.
   a. Which kind of a bank is it (national, state, etc.)?
   b. Inquire of some banker about any items you don't understand.
   c. Divide the "cash on hand" by the "total deposits."
      i. What does the result show?
      ii. Do you consider this a safe margin? Why?
   d. Can you judge the age of the bank by its statement? Explain.

3. Suppose you were one of ten persons to make equal deposits of money ($1000) in a bank, and that there are no other depositors.
   a. Will the banker be likely to loan any of this $10,000? Why?
   b. Is it correct to say that you have $1000 in this bank? Why?
   c. Would the other nine persons be justified in making the same statement?

d. Have the ten of you $10,000 in this bank?
e. State exactly what each of the ten has.
i. Is it money in the bank? or
ii. Is it the right to demand money of the bank?

4. Examine a bank check.
a. How many names appear on the check?
b. Notice that it is payable on demand.
c. How many times and in what ways does the amount named in the check appear?
d. What is the difference between a bank check payable to *bearer* and one payable to *order?*
e. Would a check be a legal claim if it were written on a sheet of paper twelve inches square? on the margin of a newspaper? on a cuff?

C

1. Turn to any bank statement such as the one shown in this chapter, and determine how it would appear after each of the following transactions has been completed:

a. A deposit of $10,000 in money.
b. A 60-day note for $2000 is discounted at 6% and one half of the proceeds is left on deposit.
c. A check for $1000 is cashed.
d. $3000 of the undivided profits are credited to stockholders.
e. A note of $5000 is paid in cash.
f. Bonds having a face value of $1000 are sold for $1050.

2. Explain why the following are *liabilities:*
a. Deposits.
b. Capital.
c. Surplus.
d. Undivided profits.

XVIII. DOMESTIC AND FOREIGN COMMERCE

A

1. Why do individuals exchange goods?
2. What is the essential difference between domestic trade and foreign trade?
3. What is the basis of foreign trade?
4. What is a "bill of exchange"?
5. What is a "bill of lading"?
6. Define "par of exchange."
7. How is it determined between any two countries?
8. What persons deal in foreign exchange?
9. What are "gold points"?
10. How are these points determined?
11. What cause the rates of exchange to fluctuate?
12. How are these rates restricted by the gold points?
13. Explain "favorable balance of trade," "unfavorable balance of trade."
14. Is an unfavorable balance of trade necessarily disadvantageous to a country? Why, or why not?
15. How may a country maintain indefinitely an unfavorable balance of trade?
16. How does a country that has no gold mines get its supply of gold coins?

B

1. Examine the articles in your own home or in the schoolroom and try to determine which of them were produced:

a. In your own community.
b. In your own state.
c. In the United States.
d. In other American countries.

2. Secure a domestic bill of exchange from some bank.

a. Fill it out as if you had sold a carload of corn to James White, payable in sixty days.
b. What would be the next step in the transaction?
c. How will the bill look after its acceptance by White?
d. Who is likely to hold the bill until it matures?
e. How does the *accepted* bill differ from a promissory note?

3. The French monetary unit is the gold franc, containing 4.48 grains of *fine* gold.

a. How many francs can be coined out of a United States gold dollar?
b. This number represents the "French par of exchange."
c. Estimate the gold points.

4. Make a list of transactions coming under your own observation, which would affect the rates of exchange between your community and New York City; the rate of foreign exchange between New York and South America.

C

1. How could each of the following affect the rate of exchange between the United States and England:

a. Failure of the wheat crop in the United States?
b. The building of an American merchant marine?
c. The purchase of London city bonds by New York bankers?
d. The return of British immigrants to the mother country?
e. The decline of gold production in the United States? in South Africa?

2. How would the gold points on sterling exchange be affected by:

a. Change in the interest rates from 5 to 4 per cent?
b. Improvement in shipbuilding?
c. Establishing aëroplane traffic between the United States and England?

3. Suppose the imports from England exceed our exports to that country. How is this trade condition likely to affect:

a. The rate of sterling exchange in New York?
b. Prices in the United States? in England?
c. Probable future trade movements?
d. Profits of exporters? of importers?

4. It has been proposed that the nations of the world should adopt a uniform currency. How would such a proposal, if carried out, affect:

a. Par of exchange?
b. Rates of exchange?
c. Gold points?
d. International trade?

XIX. THE TARIFF IN THE UNITED STATES

A

1. What is the difference between a protective tariff and a tariff for revenue only?
2. Why were the first tariffs not protective?
3. Why was the South generally opposed to protection?
4. Why was New England divided over the tariff about 1820?
5. Why was the tariff of 1828 called the "tariff of abominations"?

6. Why are *schedules* used in tariff acts?

7. Why were tariff rates not lowered at the close of the Civil War?

8. Account for the various changes in the tariff between 1890 and 1909.

9. Why is the tariff likely to be a local issue?

10. What benefits could possibly accrue to the people of Iowa by placing, if it were constitutional, a tariff duty on Pennsylvania iron? on Massachusetts cotton goods?

11. Why can there be no buying abroad without selling abroad?

12. What is the essence of the " infant industry " principle?

13. How has this principle been abused?

14. What is the relation of protection and nationalism?

B

1. Make a list of goods you know to be of foreign manufacture.

   a. Which foreign countries are represented in the list?

   b. What is the nature of the articles in the list?

      i. Are they heavy?

      ii. What raw materials have gone into their manufacture?

   c. Why have they been imported and not made in this country?

2. Call to mind the most successful physician in your community.

   a. Suppose that he is also a mechanical genius.

      i. Does he keep his own car in repair?

      ii. Does he repair his surgical instruments?

   b. Suppose that he is also the strongest man physically in the community.

i. Does he make it a practice to mow his own lawn?
ii. Does he help store the coal in his basement?

c. Suppose that he is also the most expert typist and office worker in the community.
i. Does he do his own typing?
ii. Does he keep his own books and answer his telephone?

d. Correct answers to these and similar questions which any one of us can raise, will aid in clearing our notions of protection.

3. Inquire among the business men of your community as to the attitude of each toward a protective tariff.

a. Which hold to views held by their fathers?
b. Which are interested in a business way in the tariff?
c. Which believe strongly in nationalism? in internationalism?
d. How many have changed their views on protection since they first began to give the question serious thought?
e. Learn why these views have been changed.
f. Would you say, after making this inquiry, that the average business man thinks seriously on protection and its effects?

4. Explain why your own community or congressional district is protectionist or free trade.

C

1. During the first half century of our history many individuals and several sections of the country changed their opinions radically regarding the merits of protection.

a. Why did the South at first favor protection?
b. Account for Clay's zeal in supporting protection.

c. Why was New England divided over the question?

d. Would you expect any changes of opinion to have occurred in New York, Ohio, or Indiana? Explain.

2. At one time the friends of protection argued that the high wages of American workmen made high tariff rates necessary to protect the American manufactures that gave these workmen employment. Now the argument is that the tariff itself makes the wages of American workmen high.

a. Examine each argument.

b. Is either sound? Explain.

c. Are they inconsistent? Why, or why not?

d. What, in your opinion, is the relation of protection and wages?

3. Examine the statement that "the tariff is a local issue."

a. Which sections of the country invariably support or oppose protection?

b. Can you think of any inducement that might cause free trade senators to vote for protection? Explain.

c. How would you expect your congressman to vote on protection? Why?

d. Which is likely to be the stronger force, his own judgment or the interests of his district?

4. "Every purchase of foreign-made goods diminishes the demand for American labor."

a. What is the basis of this statement?

b. What, in the long run, is used to pay for foreign-made goods?

c. Formulate your own opinion as to its correctness.

5. What lessons on protection did the Great War teach the United States?

XX. FLUCTUATION OF THE PRICE LEVEL

A

1. Why cannot the value of all commodities, gold included, rise or fall at the same time?

2. What is the relation between the price level and the value of an ounce of gold?

3. How does a change in the price level affect individual incomes? public incomes?

4. What is the relation of changing price level to social unrest?

5. Why is it desirable to measure fluctuations in price level?

6. What is the principle underlying the use of index numbers?

7. How are index numbers applied to business affairs?

8. Just how does the shifting of the price level affect industry?

9. Why should a crisis usually be found associated with high prices?

10. What is meant by the expression "overproduction"?

11. What has been the experience of the United States in panics?

B

1. Call to mind some experiences of your own in which the price level has appeared to change.

2. Learn from inquiry how a rise of the price level has affected some stationary income such as a pension, or an annuity.

   a. Does the person receiving the income realize that it has declined in purchasing power?

   b. If so, what is his (or her) explanation of the decline?

      i. Is it based on changes in value of commodities?

ii. Is it based on changes in the purchasing power of money?

c. Which of the two explanations appears to be the more correct?

d. How, if at all, could the receiver of this stationary income protect himself (or herself) from a loss in its purchasing power?

e. What is the likelihood that changes in the purchasing power of stationary incomes will discourage savings and investments?

3. Assume prices for eleven important commodities for two given years, say 1914 and 1919.

a. Compare the price level for the two periods.

b. How would the change in price level have affected an annuity of $800?

c. How, if at all, would you expect this change to affect wages in general? wages of any particular group?

d. How should wages be so adjusted as to place the wage earner in 1919 on the same income level he had occupied in 1914?

e. What change should be made in the weight of the gold dollar in order to give it the same purchasing power in 1919?

C

1. If, during a single night, the general price level should double, what would be the *immediate* effect and the *long-run* effect on the income of each of the following:

a. Wheat-grower?

b. Owner of a gold mine?

c. Day laborer?

d. Jewelry manufacturer?

e. Civil War pensioner?
f. High school student?

2. Since the fluctuations of the price level *tend* to create social unrest, why does not the government set the prices of all commodities and fix labor incomes?

3. Account for the fact that wages invariably react slowly to a rising price level.

4. Why does the government make little or no effort to prevent crises?

5. Discuss the practicability of changing the weight of the gold dollar to correspond with changes in general price level.

XXI. DISTRIBUTION OF WEALTH IN THE UNITED STATES

A

1. Define "distribution."
2. Why are profits and taxes shares in distribution?
3. What is the intimate relation between free land and distribution?
4. What shares in distribution went to the pioneer farmer?
5. Why is it said that free land receded westward?
6. Just how did the laborer lose control of his tools?
7. What during the past century has caused the lines separating the shares in distribution to become more distinct?
8. Why is there such a great inequality in wealth?
9. Suggest some method for removing this inequality.
10. What is the relation between income and industrial efficiency?
11. Name and evaluate the causes of inefficiency.
12. Why is society interested in the efficiency of the individual?

13. Just how does taxation tend to equalize wealth and income?

B

1. List the names of the heads of families in your block.
   a. Estimate the income of each family.
   b. Are there any noticeable variations among these incomes?
   c. Which families belong to the higher income groups? the lower income groups?
   d. How does the average family income compare with the average family income of your community?
   e. How does your own family income compare with the average family income of your block?

2. Estimate roughly the incomes of the families represented in your class. With this estimate as a basis, what are your conclusions as to the diffusion of education among the masses?

3. Interview persons in different income groups.
   a. Do you find any spirit of class antagonism? Analyze.
   b. What reasons do you find advanced to explain inequalities?
   c. Inquire about solutions of the problem.
   d. Formulate your own conclusions in the matter.

4. From observation and inquiry determine as accurately as possible how business men regard the following:
   a. Drinking of intoxicating liquors.
   b. Irregular hours.
   c. Habits that destroy mental or physical strength.
   d. Expensive tastes.
   e. Idleness and loafing.

5. Suppose you were asked to devise a scheme for equalizing incomes through taxation.

a. What public enterprises would you create or enlarge?
b. How would you regard the extension of public education?
c. Would you favor supplying free bread or free meat? Why, or why not?
  i. How does *c* differ from *b*?
  ii. Which would meet the greater opposition?
d. Would you exempt all except the very rich from paying taxes? Why?

C

1. "Poverty is an individual matter. No man need be poor in a country like the United States, where industry constantly cries for laborers." Comment on the above statement.

2. Many well-to-do men argue that it is little or no concern of theirs if individuals refuse to be temperate and thrifty.

a. Is this a correct attitude?
b. Under what circumstances is society to blame for intemperance?
c. Would the well-to-do be profited financially by an increase in temperance or thrift? Explain.
d. Should "the strong bear the burdens of the weak"?

3. What is the relation of each of the following to attempts to distribute wealth and income more equally through taxation:

a. Free public education?
b. City parks?
c. City milk inspection?
d. Public highways?
e. Pure food laws?
f. Free band concerts?
g. Public recreation grounds?

XXII. RETURN TO LABOR (WAGES)

A

1. What is the difference between wages and wages of management?
2. On what ground may workers be divided into hard-handed and soft-handed groups?
3. Why are railroad men often referred to as the "aristocracy of the hard-handed group"?
4. What is meant by the expression "non-competing groups"?
5. Just how do doctors and lawyers compete? plumbers and electricians?
6. What is the relation between education and income?
7. What are the exact facts about the movement of persons from one income group to another?
8. What should be one of the guides in selecting a profession or a trade?
9. What is the relation between efficiency and wages?
10. How does the working environment affect efficiency?
11. Why is the cheapest labor often the highest paid?
12. Why do business men usually refuse to pay inefficient employees more than they earn, trusting thereby to increase their efficiency?
13. Should men and women receive the same wages for the same work? Discuss.
14. What is the difference between piece wages and time wages?
15. Which is the more fundamental?
16. Why does organized labor generally oppose the piece-wage system?
17. Define "profit sharing."
18. What does profit-sharing attempt?

B

1. Determine by inquiry the occupation or profession of the father of each lawyer and doctor in your community.

a. How many were lawyers, doctors, or business men (including farmers)?

b. How many were unskilled laborers?

c. Explain any marked differences that appear between the occupations of the fathers of the younger men on your list and the fathers of the older ones.

d. Formulate conclusions on your investigation as to competition between members of the same non-competing group.

2. Let each student in the economics class state the profession or occupation he expects to pursue.

a. How many expect to compete directly with their respective fathers?

b. How many expect to enter other lines in the same non-competing group?

c. How many expect to cross over into a group not occupied by their respective fathers?

d. What does this examination show regarding the ease with which lines between non-competing groups can be crossed?

3. Make a list of several natives of your community who have made exceptional success in business.

a. How did their respective fathers rank in the community as to income? as to wealth?

b. What were their educational opportunities?

c. Considering differences in time and circumstance, can they offer their children better educational opportunities than they themselves enjoyed?

4. Call to mind boys engaged in selling newspapers, in sweeping out offices, or in similar occupations.

a. From what income groups do these boys come?
b. How many are the sons of well-to-do parents?
c. How many attend high school?
d. How does society in general regard this kind of work by boys?
e. How do the boys themselves regard it?

C

1. The statement is often made that many college graduates may be found in the bread lines of our cities.

a. What effect on the popular mind has the discovery of one college graduate begging for food?
b. Does such a discovery make an interesting news item? Why?
c. What is the probability of magnifying such a discovery?
d. What is the probability of such a beggar pretending to be a college graduate?
e. How, therefore, should the statement be regarded?

2. "It can easily be proved from history that a majority of the successful men of the United States were reared on farms and attended country schools."

a. Until recent times, where else could an American youth be reared?
b. Where else, except in the country school, could the previous generation get an education?
c. What is likely to be the trend in coming generations?

3. Discuss the need of profit sharing in American business affairs, its probable success, and the results that may be expected.

XXIII. THE LABOR PROBLEM

A

1. What three forces operated before the Civil War to prevent the organization of labor?
2. How did the war itself affect these forces?
3. In what essential respects do the Knights of Labor differ from labor unions? from the American Federation of Labor?
4. Distinguish between a trade union and a labor union.
5. Why are the Industrial Workers of the World objectionable as an organization?
6. Why is "sabotage" such an effective weapon against the employer?
7. Just why is the employee at a disadvantage in bargaining?
8. How does collective bargaining remove this disadvantage?
9. Explain how a laborer can do more work in eight hours than in ten hours.
10. What are the three specific demands of organized labor?
11. How effective is the force of public opinion in settling strikes?
12. Why is the employment of strike-breakers so objectionable both to organized labor and to the public generally?
13. What is the essential difference between conciliation and arbitration?
14. How does voluntary arbitration differ from compulsory arbitration?
15. What obstacles have hindered labor legislation in the United States?
16. Why have the courts distinguished between men and women in passing on the constitutionality of labor laws?

17. Why in general does organized labor favor restrictions on foreign immigration?

18. What is the chief cause of the general objection to the newer immigration?

B

1. Consult with an official of a local union.

   a. Get his viewpoint on the labor situation in general.
   b. Inquire about specific rules of work enforced by his union.
   c. Discuss with him the attitude of organized labor towards socialism.
   d. Ask him about any strike experiences he may have had.

2. Call to mind any industrial strike that may have been carried on in your community.

   a. Was the public vitally interested in the strike?
   b. Were strike-breakers imported?
   c. Did the strikers picket the plant in which they had formerly been employed?
   d. Which party to the strike was the most eager to arbitrate?
   e. Did the state make any effort to settle the strike?
   f. What was the outcome of the strike?

3. From a census report or from some other reliable source get statistics on the number of persons in your community who are foreign-born or who are native-born of foreign parentage.

   a. Which nationality shows the greatest strength?
   b. Is the parentage of "foreigners" in your community above or below that of the United States? your own state?
   c. How many children of foreign-born parents attend your school?

4. Ask each student in the class to state the nationality of his father, mother, both grandfathers, and both grandmothers.

a. How many are "Americans"?
b. Are any pure English, Irish, German, or Scotch?
c. How many are descended from two or more of the four stocks?
d. Formulate conclusions as to the mixtures of these old stocks.

C

1. One of the cardinal policies of trade unionism is that all of the members of any union should, within narrow limits, receive the same wage.

a. Does such a policy hinder the more skilled workers? How?
b. How do labor leaders justify this policy?
c. What determines the wage for such a group?
d. Why should not the wage for the same kind of work, plumbing say, be the same for the whole United States?

2. Organized labor is often criticized on the ground that it opposes the introduction of new machinery and new processes.

a. Is there likely to be any basis for this criticism?
b. Would organized labor be justified in taking such a position? Explain.
c. How would such a policy affect production? the wages of organized labor? the wages of unorganized labor?
d. What would be your position in the matter if you were an employer? a member of a trade union?

3. Many of the wisest labor laws enacted by Congress and the state legislatures have been declared unconstitutional by the various courts.

a. What is meant by the expression "unconstitutionality"?
b. Where did the courts get this power?
c. What procedure is necessary to make such laws constitutional?

4. "America is a great melting pot in which the peoples of Europe are transformed into Americans."

a. Explain what is meant by "melting pot."
b. How effective is the melting process just now?
c. What experiences caused this expression to be coined?
d. Should it be modified in any respect? Just how?

XXIV. RETURN TO LAND (RENT)

A

1. Distinguish between economic rent and commercial rent.
2. Why is one piece of farm land preferred to another piece?
3. What factors determine this preference?
4. What is no-rent land?
5. Just how can a farmer afford to operate no-rent land?
6. How does a change in the price of wheat affect the economic rent of wheat lands?
7. What effect has soil "butchery" on economic rent?
8. Just how does improved means of transportation affect economic rent?
9. How in general is economic rent affected by an increase in population?

10. How does custom and habit assist to determine the economic rent of store sites?

11. What other factors are important?

12. Explain what is meant by "unearned increment."

13. What is the relation between this increment and the single tax?

14. Distinguish clearly between an "increment" and a "decrement."

15. What is the relation between economic rent and price?

16. Why does economic rent not enter into price?

17. Just how does the interest rate affect land values?

B

1. Make a tour of inspection about your community.
   - *a.* Notice the wide variations in the utilization of business sites.
   - *b.* Do these business sites yield more or less than equal-sized sites in the residence districts?
   - *c.* Notice the sites which form a *fringe* about the business section.
     - i. How are they utilized?
     - ii. What about the improvements found there?
     - iii. Do they seem to be in a state of *transition?* Explain.
   - *d.* Contrast the various residence sections.
     - i. What factors cause some sites to yield more economic rent than others?
     - ii. Just how do these factors differ?
   - *e.* Notice the number and location of vacant sites.
     - i. Why are these not utilized?
     - ii. Are there evidences of owners trying to secure unearned increments?
   - *f.* Widen your definition of "urban economic rent."

2. Suppose you were to become heir to a cultivated farm located in Patagonia. How would you determine its selling price?

3. Inquire among business men and others concerning some instance of unearned increment.

a. Determine as accurately as possible the size of the increment (difference between buying price and selling price).

b. Estimate the interest on the investment at a fair rate.

c. Subtract from the interest any income that may have been received.

d. What portion of the increment appears to have been *unearned?*

e. Is this portion more or less than it seemed to be when you began your examination?

4. Find an example of "decrement" in your community.

a. What influences caused this decrement?

b. Have you heard any one propose that society should compensate the owner for his loss? Who?

5. If you were seeking a site for a cigar store, how would the location of the following influence you:

a. Other cigar stores?

b. Dry goods stores?

c. Restaurants?

d. Show houses?

e. Garages?

f. Hotels?

g. Soda fountains?

h. Drug stores?

i. Railway depots?

C

1. A prominent United States senator once made the public statement that the high prices of farm products then prevailing were caused by high rents.

   a. Would you expect this statement to be criticized? Why?
   b. What fixes the price of any farm product?
   c. What is the relation between the prices of farm products and the economic rent of the land on which they are grown?

2. Why does the contract rent of a piece of land often differ widely from its economic rent?

3. How are the following likely to affect the economic rent of farm lands:

   a. Improved machinery?
   b. Discovery of new fertilizer?
   c. Improved methods in farming?
   d. Change in interest rate?
   e. Automobiles?

4. A merchant located on the *fringe* of a business district often advertises that he can, owing to the low rent which he pays, sell goods cheaper than competing merchants nearer the business center.

   a. Why is his rent lower than theirs?
   b. Suppose he gets the business of his competitors.
      i. How will the economic rent of his site be affected?
      ii. How would this affect his contract rent?
      iii. Would this claim of cheap rent continue to be valid? Explain.
   c. Does his lower rent permit him to undersell his competitors?

5. Assuming that each piece of farm land yields its entire economic rent to its owner, why do tenants prefer one piece over another? Explain with some detail.

6. Sometimes a retail merchant advertises that he can afford to undersell his competitors because he happens to own the store site which he utilizes.

a. Does the land underneath his store building earn rent? Explain.

b. Suppose a competitor who does *not* own his store building should invest the value of his site in railroad bonds.

i. Would he be justified in advertising that he could undersell his competitors because he owned bonds?

ii. How would the buying public regard such an advertisement?

c. If he can afford to distribute his rent among his customers, why should he not also advertise that he can undersell his competitors because he owns his own capital or because his wife and children wait on his customers without pay?

XXV. RETURN TO CAPITAL (INTEREST)

A

1. Just why did the medieval church oppose the taking of interest?

2. What is the difference between a consumption loan and a production loan?

3. In the conversation between Shylock and the merchant Antonio, what is the significance of the following expressions: "usuries"? "barren metal"? "exact the penalties"?

4. Just how was a silent partner able to loan money without evading the law?

5. What are the two aspects of interest?

6. Why will borrowers pay interest on loans?

7. Why must lenders be rewarded?

8. What determines the maximum interest rate a borrower will pay?

9. What is the lowest interest rate which a lender will accept?

10. Just why are present goods usually valued more highly than future goods?

11. Is saving painful? Explain.

12. Why should the legal interest rate be higher in Wyoming than in Massachusetts?

13. What is a "call loan"?

14. Why do lenders prefer a call loan to a time loan?

15. Why is the interest rate on bonds usually lower than the dividends on stocks of the same concern?

16. Why is a railroad bond more negotiable than a farm mortgage?

B

1. Put the following questions to some friendly business man: "Why are you willing to pay interest on borrowed money?" "Would you be willing, rather than to do without, to pay a higher rate than you now pay?" "How would an increase in the current interest rate be likely to affect your business?"

2. Examine any metropolitan newspaper for quotations on New York interest rates.

a. Name the various kinds of loans found.

b. Which bears the higher interest rate?

c. Consult some banker regarding the New York interest rate.

i. Inquire about the nature of a demand loan.

ii. Ask him to explain why the rate on commercial loans varies but slightly.

d. Compare these quotations with quotations found in older newspapers.

3. Call to mind instances when present goods commanded a very high premium over future goods; when future goods were more greatly desired than present goods.

4. Name five forms of investment with which you are familiar.

a. Which bears the highest interest rate? the lowest?

b. To what extent does risk cause the difference?

5. Inquire of some banker concerning the opportunities of banks in the older states to loan money in the newer regions.

C

1. Aristotle spoke of money as being barren, and hence incapable of producing interest.

a. Do enterprisers borrow money, or is it, in the long run, equipment for producing goods?

b. What assurance has an enterpriser that his borrowed equipment will reproduce itself and something over in the way of interest?

2. Suppose it should become generally known that excessive profits are being made in the manufacture of shoes.

a. How would this knowledge affect enterprisers in other lines?

b. What would be the effect on the production of shoes?

c. Would the prices of shoes rise or fall? Why?

d. How would this change affect the profits of shoe manufacturers?

3. Discuss the desirability of a state legislature fixing a legal rate of interest above which the law provides a penalty for going.

4. As the result of an insistent demand the government established in 1916 a farm loan bank which furnishes farmers money at a moderate rate of interest.

a. From which sections of the country would you expect the demand to have been the strongest? Why?

b. How did the bankers regard this new bank?

c. Has it succeeded to any extent in equalizing the interest rate over the whole country?

5. The "sacrifice" theory of interest is often criticized on the ground that such men as Rockefeller and Morgan make no sacrifices in abstaining from consuming their wealth.

a. Can wealthy men like these save all the capital needed?

b. Which savers exert the greatest influence in fixing the interest rate?

c. Do these savers sacrifice? Explain.

XXVI. RETURN TO THE BUSINESS MAN (COMPETITIVE PROFITS)

A

1. Why are profits a share in distribution?
2. What is the chief function of the enterpriser?
3. Just why are profits residual?
4. Characterize the typical American enterpriser.
5. Why in the successful conduct of a business is imagination as important as skill?

6. In what way does enterprising skill resemble land? labor?

7. Should enterprisers be guaranteed a profit by society? Explain.

8. What is the source of profits?

9. How may an enterpriser protect himself against risk?

10. How does this protection affect profits and losses?

11. In what way do profits resemble rent?

12. What is the relation between profits and prices?

13. Why do competitive profits tend to disappear?

14. How are profits related to coöperative schemes?

15. Why has coöperation usually failed in the United States?

B

1. Many business men, farmers in particular, call their entire net income profits. Interview some retail merchant that owns his own store building.

a. How much does he set aside each year as rent?

b. What amount of interest does his capital earn?

c. What portion of his income does he attribute to his own wages?

d. What is the government's share in the way of taxation?

2. Call to mind a successful enterpriser in your community.

a. What are his most outstanding business characteristics?

b. Does he give attention to details?

3. Question a retail merchant concerning advertised sales in which goods are offered at cost.

a. What does he understand by "cost" in this connection?

b. Does he always use the word "cost" in exactly the same way?

c. What variety of meanings may the word have?
d. Analyze your own notion of its meaning.

4. Examine, if possible, any attempts that have been made in your community to eliminate profits through coöperation.

a. What was the nature of these attempts?
b. Did any one oppose them? Who?
c. How well did they succeed?

C

1. Explain in each case why the following are, or are not, enterprisers:

a. Farmers.
b. Bankers.
c. Scissors-grinders.
d. Gamblers.
e. Professional beggars.
f. Railroad engineers.
g. Factory managers.
h. Taxi-drivers.

2. Give reasons why American enterprisers should be more daring than their European competitors.

3. Explain just how the profits of a cotton-cloth manufacturer may be affected by the following:

a. New inventions and discoveries in spinning, weaving, dyeing.
b. Increase or decrease in the ravages of the boll weevil.
c. Changes in style of clothing.
d. Production of wool, flax, and silk.
e. Changes in the current rate of wages for farm labor, railroad men, weavers.
f. Changes in the current interest rate.

4. Recently a convention composed of wheat-growers declared that the low price of wheat then prevailing was caused by speculation on the Chicago Board of Trade. On the same day a body of millers assembled in a near-by city made the

claim that speculation in wheat caused wheat prices to be too high. Discuss.

5. Sometimes a miller is found who refuses to have any dealings with a wheat exchange on the ground that to do so would be speculation.

a. Can a miller trade in wheat without speculating? How?

b. Can a miller who sells flour for future delivery avoid speculation if he refuses to buy wheat for delivery at the same time? Explain.

c. Are millers more than other people likely to become wheat speculators?

XXVII. SOCIALISM

A

1. Why may socialism be considered a distributive problem?
2. May it be also a productive problem? Explain.
3. Why should every one carefully examine the claims of socialism?
4. Account for the hazy notions many people have concerning socialism.
5. Do socialists look forward to an equal distribution of wealth? of income?
6. What essential beliefs divide socialists into groups?
7. Just what did Marx mean by the expression, "surplus value"?
8. Do socialists urge friendly relations between employer and employee? Why, or why not?
9. What human motives hinder socialism?
10. What is meant by the expression, "the institution of private property"?

11. What administrative problems would confront a socialistic state?

12. What important present-day questions of production would persist under socialism?

13. Why, or why not, may we justly demand that the solution of every administrative problem be pointed out before we give a respectful hearing to the principles of socialism?

14. What is a substitute for socialism?

B

1. Consult with some well-known socialist in your community.

a. Ask him about the socialistic attitude toward present-day production, consumption.

b. Get his opinion on the trend of public thought regarding socialism since 1910.

c. Inquire concerning the administrative difficulties socialism is likely to meet.

d. Get his views on the relation of socialism to organized labor.

e. Learn the general attitude which socialism takes toward religion, education, marriage, charity.

2. Inquire at random among older acquaintances concerning their notions of socialism.

a. How many of the whole number appear to have given socialism any serious thought?

b. How many appear to have fixed convictions on the subject?

c. From your experience in this connection, what would you say regarding the general attitude of the American public toward socialism?

3. Confer with the best-informed anti-socialist in the community and get his reaction on the claims made by your socialistic friends. Then you will be in a fairly good position to think for yourself.

4. Analyze the answers of the business men to whom you put the following questions:

a. What is the origin of private property?
b. Why should an individual be permitted to own and control private property?
c. Would you favor the socialization of all private property?
d. How would such a change affect society? industry?

5. List any arguments you may think important in support of the government ownership of railroads. List also opposing arguments.

C

1. How would you expect a change to socialism to affect the following:

a. Farming?
b. Plumbing?
c. Retailing?
d. Manufacturing?
e. Teaching?
f. Preaching?
g. Professional begging?
h. Lending money?
i. Renting residence houses?
j. Coal mining?
k. Professional singing?

2. Imagine a system of socialism in operation in this country.

a. What problems concerning production might arise?
b. How would society be able to secure the services of skilled enterprisers?
c. From what source would capital come?
d. What would determine the wages of plumbers, carpenters, unskilled workers?

3. To what extent, if at all, are the following socialistic:

a. Maintenance of free public schools?
b. Regulation of street-car fares?
c. City ownership of a gas plant?
d. Fixing the price of wheat?

4. Explain just why socialism should oppose labor strikes, coöperation, profit-sharing, social insurance.

XXVIII. SOCIAL INSURANCE

A

1. Why are manual laborers, more than others, exposed to sickness, accidents, and death?

2. Just how expensive, both from the individual and the social viewpoint, is each of these forms of disability?

3. How does it happen that such a large proportion of old people are more or less dependent?

4. Why does not the normal individual guard himself more carefully against accident and sickness?

5. Can the typical American workman afford to carry any great amount of life or accident insurance? Why, or why not?

6. Why should society undertake the protection of individuals?

7. Why is charity inadequate?

8. Just how does society guarantee a minimum to every individual member?

9. Why should society as a whole replace machines and not men?

10. What influence did the autocratic government of Germany have on the development of social insurance among the Germans?

11. In what particular respects does the English plan of social insurance differ from the German plan?

12. What are the outstanding features of accident insurance?

13. Why has social insurance developed slowly in the United States?

14. Just to what extent have we gone?

B

1. Call to mind any financial distress which you have observed caused by accident or illness.

   a. To what extent was the laborer responsible for his own accident or illness?
   b. Did he carry accident or sickness insurance? What kind?
   c. Was he a member of a fraternal order? Which?
   d. Did his employer aid him? How?
   e. Did his trade union assist him financially?
   f. How far, if at all, was he aided by organized charity?

2. Investigate any organized effort that is being made in your community to help the poor and unfortunate.

   a. What are the sources of financial support?
      i. To what extent, if at all, are these funds raised by taxation?
      ii. Enumerate other methods of raising funds (tag days, etc.).

b. What is the attitude of the people who are helped?
c. How is pauperization prevented?

3. Name the various agencies in your community which extend financial assistance to the distressed.

a. Which are religious in nature?
b. Which emphasize personal visitation?
c. Which have membership dues?
d. Which are purely philanthropic?

4. Inquire as to the general attitude of your older acquaintances toward the county or other public almshouse.

a. Does any stigma attach to its occupants? Why, or why not?
b. Does anyone take the view that it is merely a method of guaranteeing a minimum subsistence to each member of society? Who?
c. What is the viewpoint of the occupants themselves?

5. Look about for other means of extending financial assistance to the incapacitated:

a. Public hospitals.
b. Government pensions.
c. State and federal houses for disabled soldiers and sailors.
d. State institutions for the unfortunate.
e. Old people's homes maintained by fraternal organization.

May we consider these as forms of social insurance? Why, or why not?

C

1. The assertion is often made that each individual usually has it in his own power to provide against the dependency of old age by saving systematically during his productive years.

a. Might the typical American workman be more frugal? How?

b. What other factor is necessary in saving?

c. Calculate the annual saving necessary for 40 years to insure an income of $300 a year at the age of 60 on a six per cent basis.

2. One of the best-known American cartoonists showed recently the attitude taken by men engaged in hazardous occupations. A structural steel worker standing on a narrow beam twenty floors above the street and an aëroplane pilot in his machine a thousand feet above, each observing the other, remarked how foolish some men were in taking risks. Why did each minimize his own risk and magnify the risk of the other?

3. Suppose that society should devise some plan whereby house painters would be insured by the public against accident, sickness, old age dependence, and unemployment.

a. Would the number of house painters tend to increase or decrease? Why?

b. How would the wages of house painters be affected?

c. What would be the probable effect on the cost of painting a house?

d. In what way, if at all, would taxes be affected?

e. Would a plumber's income be changed as a result? How?

4. Would you class the following as forms of social insurance:

a. Government pensions?

b. Free treatment in railroad hospitals?

c. State aid for the blind?

d. Insane hospitals?

e. Retiring allowances to aged preachers?

f. Teachers' pensions?

g. Payments from a firemen's pension fund?

XXIX. THE SHARE OF THE GOVERNMENT IN DISTRIBUTION (TAXATION)

A

1. Why are there often so many taxing bodies in a community?
2. What only restricts the power of Congress to lay taxes?
3. Is this restriction important? Why, or why not?
4. In what ways are taxing powers of local units limited?
5. Why should the right of a school district to tax itself be regulated by state law?
6. Are these regulations desirable? Explain.
7. Account for the increase in the revenues of the national government during the past half century.
8. What is the chief money-spending function of the national government?
9. What are the principal revenue sources of the school district? the county? the city?
10. What is the justification for government expenditures where private funds would otherwise be used?
11. What risks are involved in government expenditures?
12. Why, or why not, should taxes be levied according to benefit?
13. What is the relation between the need of public assistance and the ability to pay taxes?
14. Why should a school tax levied according to the benefit principle be impracticable?
15. How does the ability principle of taxation tend to equalize incomes?
16. What is the essential difference between a proportionate tax and a progressive tax?
17. What are the merits of each?
18. Just what is meant by "expediency" in taxation?

19. Why is an old tax usually preferred to a new tax?
20. When is a tax said to be "shifted"?
21. Why are taxes usually easy to shift? Explain.
22. Which taxes are the easiest to shift? Why?
23. What is a "general property tax"?
24. What are its chief defects?
25. Why do many people, otherwise honest, falsify their personal property tax-schedules?
26. Why should income taxes and inheritance taxes be confined to the well-to-do classes?
27. What is the essential difference between an income tax and an inheritance tax?
28. Just why was a constitutional amendment necessary to legalize a federal income tax?

B

1. Get from the local tax-collector or from the proper county official, information concerning rates of taxation, purposes for which various taxes are imposed, the cost of collection, and the attitude which people take toward each kind of tax.
2. Interview some friendly taxpayer.
   a. How does he regard the school tax?
   b. Has he suggestions to offer concerning changes in taxation?
   c. Does he consider the valuation placed on his own property for taxing purposes equitable compared to the valuation placed on his neighbors' properties?
   d. Get his opinion on the weakness and strength of the general property tax.
3. Make a list of enterprises supported out of public funds, which enterprises provide services free to all, regardless of their tax-paying abilities.

4. Secure, if possible, published lists of personal property assessments.

a. Do there appear to be any discrepancies between the valuation placed on the personal property of any individual and the amount of personal property he is *reputed* to possess?

b. How does the total valuation of personal property compare with the total valuation of real estate for the same area?

c. Is there in your community a limit below which personal property is not assessed? If so, why?

5. Inquire of some tax-assessing official about the difficulties of determining property values, the inclination of people to undervalue their own property, the general dissatisfaction with valuations, and the criticism made of them.

6. Suppose you were a member of a law-making body which had before it a bill for taxing boarding-house keepers ten dollars a year each, on the ground that the money thus raised in each city would pay the salary of a boarding-house inspector for that city.

a. What is your first reaction on the question?

b. Do boarding houses need to be inspected? Why?

c. If so, who should pay the expense of inspection? Why?

d. How would the fact that you represented a college town or a mining district affect your vote?

e. How would you expect members from rural districts to vote?

C

1. The property of the residents of a certain section of one of the largest cities in the United States is taxed by twenty-seven taxing boards.

a. Why have so many taxing boards been developed?
b. Is it probable that one taxing body could accomplish the same purpose? Explain.
c. Would you expect the aggregate rate to be higher in one case than in the other? Why, or why not?

2. In the matter of official patronage, measured either in numbers or in salaries, the Mayor of New York City ranks alongside the President of the United States.

a. Account for this fact.
b. Compare the receipts and expenditures of the two organizations.
c. Contrast the governmental functions of the two organizations.

3. The argument is often advanced that each should be taxed according to the benefit he gets from the expenditure of public money.

a. What effect do good schools have on the number and character of the people in the community?
b. How does an increase in population together with a rise in its standards affect property values? legitimate business?
c. What return, then, does a childless property owner or a childless business man get from his school taxes?

4. The administration of a tax levied according to the benefit principle would be extremely difficult.

a. *When* should each property holder pay his taxes for the support of a city fire department?
b. *What* should each pay toward maintaining a public park? a health bureau?
c. *Why* should not non-resident owners of vacant lots be entirely exempt from such taxes?

5. The statement that a land tax cannot be shifted needs to be examined with care. Would the shifting be possible if the tax collected were spent on building improved wagon roads? Can you think of other expenditures that might add to the productiveness of the land taxed, and hence increase its economic rent?

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